

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Village of Fowlerville
Livingston County, Michigan

June 30, 2008

VILLAGE COUNCIL AND ADMINISTRATION

Wayne Copeland	President
Mike Stock	Council Member Pro-tem
Mick Longstreet	Council Member
David Kuehn	Council Member
Mary Helfmann	Council Member
Carol Hill	Council Member
Marjorie Carlon	Council Member
Joseph Merucci	Village Manager
Sherry Prevo	Treasurer
Doreen Murphy	Clerk

Village of Fowlerville

TABLE OF CONTENTS

June 30, 2008

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-ix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11-12
Combining Statement of Net Assets - Component Units	13
Combining Statement of Activities - Component Units	14
Notes to Financial Statements	15-31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund Revenues and Other Financing Sources	32
Budgetary Comparison Schedule - General Fund Expenditures	33
Budgetary Comparison Schedule - Local Street Fund	34
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	35-36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	37-38
COMPONENT UNIT FUNDS	
DOWNTOWN DEVELOPMENT AUTHORITY	
Balance Sheet	39
Reconciliation of the Balance Sheet to the Statement of Net Assets	40
Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
LOCAL DEVELOPMENT FINANCE AUTHORITY	
Balance Sheet	43
Reconciliation of the Balance Sheet to the Statement of Net Assets	44
Statement of Revenues, Expenditures, and Changes in Fund Balances	45
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	46

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Village of Fowlerville, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 24, 2008

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The following is a discussion and analysis of the Village of Fowlerville's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2008. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village of Fowlerville's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities were \$12,339,250 at the close of 2008 (excluding component units).
- Governmental activities net assets were \$4,009,915.
- Business-type activities net assets were \$8,329,335.
- Component unit net assets were \$704,488.

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,837,058 with \$195,739 being reserved for specific purposes.
- The General Fund's fund balance increased by \$149,994. This increase in fund balance was due to conservative budgeting, which ensured revenues exceeded expenditures.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$2,400,000.
- The total long-term debt for the business-type activities of the primary government was \$3,971,610.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Village of Fowlerville consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information*, such as budget to actual comparisons for the General Fund, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-wide Financial Statements (Reporting the Village of Fowlerville as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village of Fowlerville as a whole and about its activities. Their purpose is to assist in answering the question, is the Village of Fowlerville, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village of Fowlerville's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village of Fowlerville's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village of Fowlerville's net assets changed during fiscal year 2008. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Both statements report the following activities:

- **Governmental Activities** - Most of the Village of Fowlerville's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Village of Fowlerville's general government departments such as the police department, the Village Council, public works, the Village's share of fire costs, and recreation programs are reported under these activities. This also includes activities such as the Major and Local street maintenance, the cemetery, and the various refuse services.
- **Business-type Activities** - These activities operate like private businesses. The Village of Fowlerville charges fees to recover the cost of the services provided. The Village of Fowlerville Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Village of Fowlerville's Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village of Fowlerville. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the Village of Fowlerville Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village of Fowlerville's significant (major) funds and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village of Fowlerville uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Motor Pool) as well as enterprise funds such as the Water Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. GASB Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues, or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Fowlerville include the General Fund, Municipal Street Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate. The Village of Fowlerville includes detailed information on its nonmajor funds in other supplementary sections of this report.

The Village of Fowlerville's funds are divided into two categories - governmental and proprietary, and use different accounting approaches:

- **Governmental Funds** - Most of the Village of Fowlerville's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village of Fowlerville's programs. The *General Fund* is a Governmental Fund.
- **Proprietary Funds** - Services for which the Village of Fowlerville charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the Village of Fowlerville's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 15 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$12,339,250 at the end of this fiscal year. The net assets of the governmental activities were \$4,009,915 and the business-type activities were \$8,329,335.

Net Assets as of June 30, 2007 and 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$ 1,900,438	\$ 2,617,881	\$ 2,138,482	\$ 2,672,062	\$ 4,038,920	\$ 5,289,943
Capital Assets	<u>1,879,101</u>	<u>4,439,824</u>	<u>9,149,703</u>	<u>9,888,092</u>	<u>11,028,804</u>	<u>14,327,916</u>
Total Assets	<u>\$ 3,779,539</u>	<u>\$ 7,057,705</u>	<u>\$11,288,185</u>	<u>\$12,560,154</u>	<u>\$15,067,724</u>	<u>\$19,617,859</u>
Current Liabilities	\$ 148,697	\$ 588,505	\$ 229,881	\$ 415,819	\$ 378,578	\$ 1,004,324
Noncurrent Liabilities	<u>90,285</u>	<u>2,459,285</u>	<u>3,006,610</u>	<u>3,815,000</u>	<u>3,096,895</u>	<u>6,274,285</u>
Total Liabilities	<u>\$ 238,982</u>	<u>\$ 3,047,790</u>	<u>\$ 3,236,491</u>	<u>\$ 4,230,819</u>	<u>\$ 3,475,473</u>	<u>\$ 7,278,609</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 1,854,101	\$ 2,039,824	\$ 6,023,465	\$ 5,916,482	\$ 7,877,566	\$ 7,956,306
Restricted	282,934	462,376	-	-	282,934	462,376
Unrestricted	<u>1,403,522</u>	<u>1,507,715</u>	<u>2,028,229</u>	<u>2,412,853</u>	<u>3,431,751</u>	<u>3,920,568</u>
Total Net Assets	<u>\$ 3,540,557</u>	<u>\$ 4,009,915</u>	<u>\$ 8,051,694</u>	<u>\$ 8,329,335</u>	<u>\$11,592,251</u>	<u>\$12,339,250</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village of Fowlerville's net assets changed during the fiscal year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Revenues						
Program Revenues						
Charges for Services	\$ 690,937	\$ 718,056	\$ 1,285,310	\$ 1,404,346	\$ 1,976,247	\$ 2,122,402
Operating Grants and Contributions	266,735	263,646	-	-	266,735	263,646
Capital Grants and Contributions	102,980	43,866	222,278	-	325,258	43,866
General Revenues						
Property Taxes	974,255	999,694	-	-	974,255	999,694
State Shared Rev.	287,693	288,053	-	-	287,693	288,053
Investment Earnings	66,730	79,667	85,846	101,456	152,576	181,123
Miscellaneous	<u>14,365</u>	<u>540</u>	<u>-</u>	<u>2,000</u>	<u>14,365</u>	<u>2,540</u>
Total Revenues	2,403,695	2,393,522	1,593,434	1,507,802	3,997,129	3,901,324

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Expenses						
General Government	\$ 535,706	\$ 614,370	\$ -	\$ -	\$ 535,706	\$ 614,370
Public Safety	558,677	554,286	-	-	558,677	554,286
Public Works	623,867	640,753	-	-	623,867	640,753
Community and Economic Develop.	8,830	17,721	-	-	8,830	17,721
Recreation and Cultural	62,185	60,218	-	-	62,185	60,218
Interest on long-term debt	3,704	36,816	-	-	3,704	36,816
Sewer	-	-	659,670	792,297	659,670	792,297
Water	-	-	414,392	437,864	414,392	437,864
Total Expenses	<u>1,792,969</u>	<u>1,924,164</u>	<u>1,074,062</u>	<u>1,230,161</u>	<u>2,867,031</u>	<u>3,154,325</u>
Increase (Decrease) in Net Assets	610,726	469,358	519,372	277,641	1,130,098	746,999
Net Assets - Beginning	<u>2,929,831</u>	<u>3,540,557</u>	<u>7,532,322</u>	<u>8,051,694</u>	<u>10,462,153</u>	<u>11,592,251</u>
Net Assets - Ending	<u>\$ 3,540,557</u>	<u>\$ 4,009,915</u>	<u>\$ 8,051,694</u>	<u>\$ 8,329,335</u>	<u>\$11,592,251</u>	<u>\$12,339,250</u>

Governmental Activities:

The result of fiscal year 2008 governmental activity was an increase of \$469,358 in net assets to \$4,009,915. Of the total governmental activities' net assets, \$2,039,824 is invested in capital assets less related debt and \$462,376 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village of Fowlerville's government. The balance of \$1,507,715 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 41.8%; charges for services at 30.0%; and State Shared Revenue at 12.0%. The Village of Fowlerville levies a property tax millage for general government operations at 8.5048 mills, which is not assigned to any specific service or activity. The Village also levies .4698 mills of special voted millage for mosquito abatement, 2.0409 mills for refuse services, including weekly garbage pick-up, composting, chipping, and leaf pick-up. Lastly, the Village levies 3.4017 mills for street maintenance and construction and .6802 mills for cemetery maintenance.

Expenses:

Public Works is the largest governmental activity, expending \$640,753 of the approximately \$1.9 million total expenses. This activity includes the annual costs for the maintenance and construction of the Village's major, local and municipal streets.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Business-type Activities:

Net assets in the business-type activities increased by \$277,641 during the fiscal year 2008. This was mainly due to higher charges for water and sewer services and an increase of connection fees.

Of the total \$8,329,335 of net assets in the business-type activities, \$2,412,853 is reported as unrestricted and \$5,916,482 is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville MAJOR AND NONMAJOR FUNDS

As the Village of Fowlerville completed fiscal year 2008, its governmental funds reported *combined* fund balances of \$1,837,058. The net changes are summarized in the following chart:

	General Fund	Local Street Fund	2008 Bond Construction Fund	Nonmajor Governmental Funds
Fund Balance 6/30/07	\$ 774,662	\$ 139,970	\$ -	\$ 645,475
Fund Balance 6/30/08	\$ 924,656	\$ 192,476	\$ 282,160	\$ 437,766
Net Change	\$ 149,994	\$ 52,506	\$ 282,160	\$ (207,709)

General Fund:

The General Fund is the chief operating fund of the Village of Fowlerville. Unless otherwise required by statute, contractual agreement, or Board policy all Village of Fowlerville revenue and expenditures are recorded in the General Fund. As of June 30, 2008, the General Fund reported a fund balance of \$924,656. This amount is an increase of \$149,994 from the fund balance of \$774,662 reported as of June 30, 2007.

The General Fund fiscal year 2007 revenues exceeded expenditures by \$109,266 and the net other financing sources of the General Fund of \$40,728 increased the fund balance by \$149,994.

General Fund Budgetary Highlights:

The Village of Fowlerville's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$1,870,015; \$22,481 below the final amended budget. The most significant variation was the sale of cemetery lots revenue, which had a negative variation of \$9,282. This was caused by less people doing preplanning/purchasing of grave plots.

The Village of Fowlerville's expenditures totaled \$1,720,021; \$205,708 below the final amended budget. The most significant variation was in the area of refuse collection, which had a positive variation of \$45,449.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Water & Sewer Funds:

The Water Fund had an increase in its net assets of \$86,674. Operating revenues showed an increase of \$29,803, while total operating expenses increased by \$18,783. In 2008 the Water Fund had total operating expenses of \$430,982 and total operating revenues of \$498,509 for an operating income of \$67,527. This increase was due to large number of connection fees not anticipated to be received in this fiscal year and a significantly higher investment rate to increase interest income.

The Sewer Fund experienced an increase in net assets totaling \$190,967 in 2008. Operating revenues increased by \$89,233 and operating expenses increased by \$130,902. This was due to a large number of connection fees not anticipated in this fiscal year and a significantly higher investment rate to increase interest income. In 2008, the Sewer Fund had total operating expenses of \$653,997 and total operating revenues of \$905,837 for operating income of \$251,840.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2008, the Village of Fowlerville had invested \$4,439,824 and \$9,888,092 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Additions to the governmental activities include additions to infrastructure in the amount of \$571,922 for construction on Frank/East Streets and Frank/South Streets. Significant additions to the business-type capital assets include improvements to the sewer system in the Sewer Fund. Accumulated depreciation was \$1,721,864 for the governmental activities and \$3,103,930 for the business-type activities. Depreciation charges for the fiscal year totaled \$214,882 for the governmental activities and \$335,130 for the business-type activities. For more detailed information related to capital assets, refer to pages 24-25 of the financial statements.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 1,368,881	\$ 422,764	\$ 1,791,575
Land Improvements, net	57,329	-	57,329
Construction in progress	1,032,498	24,241	1,056,739
Buildings, net	512,047	3,391,213	3,903,260
Vehicles, net	134,637	23,406	158,043
Furniture/Other, net	91,817	39,974	131,791
Infrastructure, net	1,242,685	-	1,242,685
Water System, net	-	2,356,241	2,356,241
Sewer System, net	-	3,630,253	3,630,253
Capital assets, net	<u>\$ 4,439,824</u>	<u>\$ 9,888,092</u>	<u>\$ 14,327,916</u>

Long-term Debt - As of June 30, 2008, the Village of Fowlerville had \$2,464,506 in bonds and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$2,400,000 is bonds and \$64,506 is compensated absences. This level of net obligation is \$2,355,339 higher than the obligation recorded as of June 30, 2007.

The business-type activities showed total outstanding of \$3,971,610 as of June 30, 2008. The debt is comprised of bonds in the amount of \$3,960,000 and a land contract of \$11,610. This level of net obligation is \$849,332 higher than the obligation recorded as of June 30, 2007.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Outstanding Debt as of June 30, 2008:

Primary Government Governmental Activities	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Bonds	\$ 25,000	\$ 2,400,000	\$ 25,000	\$ 2,400,000
Compensated absences	<u>84,167</u>	<u>2,711</u>	<u>22,372</u>	<u>2,464,506</u>
Total Governmental Activities	109,167	2,402,711	47,372	2,464,506
Business Type Activities				
Water and Sewer Bonds	3,100,000	995,000	135,000	3,960,000
Land Contract Payable	<u>26,238</u>	<u>-</u>	<u>14,628</u>	<u>11,610</u>
Total Business Type Activities	<u>3,247,546</u>	<u>995,000</u>	<u>149,628</u>	<u>3,971,610</u>
Total Primary Government	<u>\$ 3,235,405</u>	<u>\$ 3,397,711</u>	<u>\$ 197,000</u>	<u>\$ 6,436,116</u>

Limitations on Debt:

State statute limits the Village of Fowlerville's debt obligations to ten (10) percent of the current state equalized value (SEV). The Village of Fowlerville's SEV, as of June 30, 2008, was \$123,679,530; therefore the Village of Fowlerville's debt limitation was \$12,367,953. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of Fowlerville.

The Village is entering the third year of adjusting the water and sewer rates to bring the rates in line with the costs relating the operations of the water system and the waste water treatment plant.

The Village continues its aggressive road preservation project throughout the Village. Significant amounts of the street and general funds will be required to complete this project.

The Wal-Mart project brought 350 jobs into the Village as well as added interest to what our community can offer.

The Livingston County Economic Development Council and the Village of Fowlerville continue to recruit new businesses for the industrial parks and industrial properties in the Village to bring additional family-sustaining jobs to our community.

CONTACTING THE VILLAGE OF FOWLerville

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village of Fowlerville's finances and to demonstrate the Village of Fowlerville's accountability for the money it receives. If there are questions about this report or a need for additional information contact the Village Manager's Office at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,398,350	\$ 744,436	\$ 2,142,786	\$ 1,371,616
Cash - restricted	-	1,441	1,441	-
Investments	862,735	1,425,479	2,288,214	-
Receivables	136,206	512,757	648,963	2,953
Due from other governmental units	138,311	-	138,311	-
Inventory	-	31,058	31,058	-
Prepays	37,845	1,325	39,170	-
Internal balances	44,434	(44,434)	-0-	-
Total current assets	2,617,881	2,672,062	5,289,943	1,374,569
Noncurrent assets				
Capital assets not being depreciated	2,401,309	447,005	2,848,314	-
Capital assets, net of accumulated depreciated	2,038,515	9,441,087	11,479,602	2,684,312
Noncurrent portion of contracts receivable	-	-	-0-	14,408
Total noncurrent assets	4,439,824	9,888,092	14,327,916	2,698,720
TOTAL ASSETS	7,057,705	12,560,154	19,617,859	4,073,289
LIABILITIES				
Accounts payable	490,996	233,968	724,964	22,280
Accrued wages	25,829	-	25,829	-
Other accrued liabilities	46,373	3,183	49,556	-
Due to other governmental units	-	-	-0-	3,868
Accrued interest payable	20,086	22,058	42,144	32,653
Current portion of compensated absences	5,221	-	5,221	-
Current portion of long-term debt	-	156,610	156,610	355,000
Total current liabilities	588,505	415,819	1,004,324	413,801
Noncurrent liabilities				
Noncurrent portion of compensated absences	59,285	-	59,285	-
Noncurrent portion of long-term debt	2,400,000	3,815,000	6,215,000	2,955,000
Total noncurrent liabilities	2,459,285	3,815,000	6,274,285	2,955,000
TOTAL LIABILITIES	3,047,790	4,230,819	7,278,609	3,368,801
NET ASSETS				
Invested in capital assets, net of related debt	2,039,824	5,916,482	7,956,306	559,312
Restricted for streets	462,376	-	462,376	-
Unrestricted	1,507,715	2,412,853	3,920,568	145,176
TOTAL NET ASSETS	\$ 4,009,915	\$ 8,329,335	\$ 12,339,250	\$ 704,488

See accompanying notes to financial statements.

Village of Fowlerville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 614,370	\$ 406,230	\$ 15,196	\$ -	\$ (192,944)	\$ -	\$ (192,944)	\$ -
Public safety	554,286	2,676	21,821	-	(529,789)	-	(529,789)	-
Public works	640,753	309,150	205,804	43,866	(81,933)	-	(81,933)	-
Health and welfare	-	-	6,480	-	6,480	-	6,480	-
Recreation and cultural	60,218	-	14,345	-	(45,873)	-	(45,873)	-
Community and economic development	17,721	-	-	-	(17,721)	-	(17,721)	-
Interest on long-term debt	36,816	-	-	-	(36,816)	-	(36,816)	-
Total governmental activities	1,924,164	718,056	263,646	43,866	(898,596)	-0-	(898,596)	-0-
Business-type activities								
Sewer	792,297	905,837	-	-	-	113,540	113,540	-
Water	437,864	498,509	-	-	-	60,645	60,645	-
Total business-type activities	1,230,161	1,404,346	-0-	-0-	-0-	174,185	174,185	-0-
Total primary government	\$ 3,154,325	\$ 2,122,402	\$ 263,646	\$ 43,866	(898,596)	174,185	(724,411)	-0-
Component units:								
Downtown Development Authority	\$ 186,893	\$ -	\$ -	\$ -	-	-	-0-	(186,893)
Local Development Finance Authority	516,743	-	-	-	-	-	-0-	(516,743)
Total component units	\$ 703,636	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	-0-	(703,636)
General revenues:								
Property taxes					999,694	-	999,694	1,045,619
State shared revenue					288,053	-	288,053	-
Investment earnings					79,667	101,456	181,123	44,404
Miscellaneous					540	2,000	2,540	-
Total general revenues					1,367,954	103,456	1,471,410	1,090,023
Change in net assets					469,358	277,641	746,999	386,387
Net assets, beginning of the year					3,540,557	8,051,694	11,592,251	318,101
Net assets, end of the year					\$ 4,009,915	\$ 8,329,335	\$ 12,339,250	\$ 704,488

See accompanying notes to financial statements.

Village of Fowlerville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Local Street	2008 Bond Construction
ASSETS			
Cash and cash equivalents	\$ 224,745	\$ 225,270	\$ 577,578
Investments	558,503	51,048	-
Accounts receivable	124,593	-	-
Prepays	37,845	-	-
Due from other governmental units	96,408	16,359	-
Due from other funds	38,092	18,057	-
TOTAL ASSETS	\$ 1,080,186	\$ 310,734	\$ 577,578
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 70,641	\$ 117,409	\$ 295,418
Accrued wages	25,624	205	-
Other accrued liabilities	45,343	29	-
Due to other funds	13,047	615	-
Deferred revenue	875	-	-
TOTAL LIABILITIES	155,530	118,258	295,418
FUND BALANCES			
Reserved for:			
Prepays	37,845	-	-
Refuse collection	22,936	-	-
Cemetery maintenance	36,983	-	-
Mosquito control	8,249	-	-
Composting	42,847	-	-
Unreserved			
Undesignated, reported in:			
General fund	775,796	-	-
Special revenue funds	-	192,476	-
Capital projects funds	-	-	282,160
TOTAL FUND BALANCES	924,656	192,476	282,160
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,080,186	\$ 310,734	\$ 577,578

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 259,608	\$ 1,287,201
151,048	760,599
11,613	136,206
-	37,845
25,544	138,311
736	56,885
<u>\$ 448,549</u>	<u>\$ 2,417,047</u>
\$ 1,350	\$ 484,818
-	25,829
408	45,780
9,025	22,687
-	875
<u>10,783</u>	<u>579,989</u>
-	37,845
-	22,936
46,879	83,862
-	8,249
-	42,847
-	775,796
390,887	583,363
-	282,160
<u>437,766</u>	<u>1,837,058</u>
<u>\$ 448,549</u>	<u>\$ 2,417,047</u>

Village of Fowlerville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances - governmental funds **\$ 1,837,058**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 6,161,688	
Accumulated depreciation is	<u>(1,721,864)</u>	
Capital assets, net		4,439,824

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	368,312	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(151,562)</u>	
		216,750

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		875
------------------	--	-----

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds payable	(2,400,000)	
Accrued interest payable	(20,086)	
Compensated absences	<u>(64,506)</u>	
		<u>(2,484,592)</u>

Net assets of governmental activities		<u>\$ 4,009,915</u>
--	--	----------------------------

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General	Local Street	2008 Bond Construction
REVENUES			
Taxes	\$ 774,336	\$ -	\$ -
Licenses and permits	3,705	-	-
Intergovernmental	537,149	92,307	-
Charges for services	438,993	-	-
Fines and forfeits	16,189	-	-
Interest and rents	47,221	10,338	5,866
Other	11,694	-	-
TOTAL REVENUES	1,829,287	102,645	5,866
EXPENDITURES			
Current			
General government	599,754	-	-
Public safety	538,061	-	-
Public works	407,143	41,645	200,957
Recreation and cultural	97,365	-	-
Community and economic development	17,770	-	-
Debt service	26,563	-	-
Capital outlay	33,365	533,494	1,906,731
TOTAL EXPENDITURES	1,720,021	575,139	2,107,688
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	109,266	(472,494)	(2,101,822)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	2,400,000
Bond discount	-	-	(16,018)
Sale of cemetery lots	38,018	-	-
Perpetual care	1,510	-	-
Sale of capital assets	1,200	-	-
Transfers in	-	525,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,728	525,000	2,383,982
NET CHANGE IN FUND BALANCES	149,994	52,506	282,160
Fund balances, beginning of year	774,662	139,970	-
Fund balances, end of year	\$ 924,656	\$ 192,476	\$ 282,160

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 225,358	\$ 999,694
-	3,705
163,344	792,800
-	438,993
1,458	17,647
17,606	81,031
6,480	18,174
414,246	2,352,044
-	599,754
-	538,061
94,955	744,700
-	97,365
-	17,770
-	26,563
2,000	2,475,590
96,955	4,499,803
317,291	(2,147,759)
-	2,400,000
-	(16,018)
-	38,018
-	1,510
-	1,200
38,581	563,581
(563,581)	(563,581)
(525,000)	2,424,710
(207,709)	276,951
645,475	1,560,107
\$ 437,766	\$ 1,837,058

Village of Fowlerville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ 276,951**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,775,605	
Depreciation expense	(214,882)	
Excess of capital outlay over depreciation expense		2,560,723

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Decrease in Net Assets of Internal Service Funds	(15,293)	
Depreciation expense of Internal Service Funds included in the total above	67,090	
Capital outlay of Internal Service Funds included in the total above	(46,289)	
		5,508

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in deferred revenue in the current year was: 750

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond proceeds	(2,400,000)	
Debt principal retirement	25,000	
		(2,375,000)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in accrued interest payable	(19,235)	
Decrease in accrued compensated absences	19,661	
		426

Change in net assets of governmental activities **\$ 469,358**

See accompanying notes to financial statements.

Village of Fowlerville
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 546,662	\$ 197,774	\$ 744,436	\$ 111,149
Cash - restricted	735	706	1,441	-
Investments	1,070,160	355,319	1,425,479	102,136
Receivables				
Accounts	311,278	167,651	478,929	-
Special assessment	33,828	-	33,828	-
Prepays	-	1,325	1,325	-
Inventory	-	31,058	31,058	-
Due from other funds	12,182	-	12,182	13,083
Total current assets	1,974,845	753,833	2,728,678	226,368
Noncurrent assets				
Capital assets, not being depreciated	80,106	366,899	447,005	-
Capital assets, net of accumulated depreciation	7,058,957	2,382,130	9,441,087	151,562
Total noncurrent assets	7,139,063	2,749,029	9,888,092	151,562
TOTAL ASSETS	9,113,908	3,502,862	12,616,770	377,930
LIABILITIES				
Current liabilities				
Accounts payable	116,969	116,999	233,968	6,178
Accrued liabilities	434	2,749	3,183	593
Accrued interest payable	16,451	5,607	22,058	-
Due to other funds	13,649	42,967	56,616	2,847
Current portion of long-term debt	127,693	28,917	156,610	-
Total current liabilities	275,196	197,239	472,435	9,618
Noncurrent liabilities				
Noncurrent portion of long-term debt	3,355,142	459,858	3,815,000	-
TOTAL LIABILITIES	3,630,338	657,097	4,287,435	9,618
NET ASSETS				
Investment in capital assets, net of related debt	3,656,228	2,260,254	5,916,482	151,562
Unrestricted	1,827,342	585,511	2,412,853	216,750
TOTAL NET ASSETS	\$ 5,483,570	\$ 2,845,765	\$ 8,329,335	\$ 368,312

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	\$ 905,837	\$ 498,509	\$ 1,404,346	\$ 138,283
OPERATING EXPENSES				
Administrative	119,384	124,743	244,127	105,109
Wastewater operations	329,896	-	329,896	-
Water distribution	-	175,826	175,826	-
Depreciation	204,717	130,413	335,130	67,090
TOTAL OPERATING EXPENSES	653,997	430,982	1,084,979	172,199
OPERATING INCOME (LOSS)	251,840	67,527	319,367	(33,916)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	75,427	26,029	101,456	8,576
Gain on sale of equipment	-	-	-0-	10,047
Other	2,000	-	2,000	-
Interest expense and fiscal agent fees	(138,300)	(6,882)	(145,182)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(60,873)	19,147	(41,726)	18,623
CHANGE IN NET ASSETS	190,967	86,674	277,641	(15,293)
Net assets, beginning of year	5,292,603	2,759,091	8,051,694	383,605
Net assets, end of year	\$ 5,483,570	\$ 2,845,765	\$ 8,329,335	\$ 368,312

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 872,193	\$ 480,025	\$ 1,352,218	\$ 131,777
Cash paid to suppliers	(366,609)	(89,994)	(456,603)	(76,282)
Cash paid for employee benefits	(8,084)	(29,429)	(37,513)	(8,225)
Cash paid to employees	(12,649)	(52,906)	(65,555)	(15,249)
NET CASH PROVIDED BY OPERATING ACTIVITIES	484,851	307,696	792,547	32,021
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(466,313)	(607,206)	(1,073,519)	(46,289)
Gain on sale of equipment	-	-	-0-	10,047
Other nonoperating revenues	2,000	-	2,000	-
Principal borrowings	503,000	492,000	995,000	-
Principal payments	(120,165)	(29,463)	(149,628)	-
Interest expense and fees	(138,300)	(6,882)	(145,182)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(219,778)	(151,551)	(371,329)	(36,242)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(170,160)	(155,319)	(325,479)	-
Sale of investments	-	-	-0-	47,864
Interest revenue	75,427	26,029	101,456	8,576
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(94,733)	(129,290)	(224,023)	56,440
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,340	26,855	197,195	52,219
Cash and cash equivalents, beginning of year	377,057	171,625	548,682	58,930
Cash and cash equivalents, end of year	<u>\$ 547,397</u>	<u>\$ 198,480</u>	<u>\$ 745,877</u>	<u>\$ 111,149</u>

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 251,840	\$ 67,527	\$ 319,367	\$ (33,916)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	204,717	130,413	335,130	67,090
(Increase) in accounts receivable	(36,690)	(18,484)	(55,174)	-
Decrease in special assessment receivable	14,007	-	14,007	-
(Increase) in due from other funds	(10,961)	-	(10,961)	(6,506)
(Increase) in prepaids	-	(1,325)	(1,325)	-
(Increase) in inventory	-	(10,693)	(10,693)	-
Increase in accounts payable	43,641	100,481	144,122	2,989
(Decrease) in accrued liabilities	(66)	(308)	(374)	(483)
Increase in accrued interest payable	5,262	5,607	10,869	-
Increase in due to other funds	13,101	40,139	53,240	2,847
(Decrease) in due to other governmental units	-	(5,661)	(5,661)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 484,851	\$ 307,696	\$ 792,547	\$ 32,021

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2008

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 647,123	\$ 724,493	\$ 1,371,616
Current portion of contracts receivable	2,953	-	2,953
Total current assets	650,076	724,493	1,374,569
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	2,684,312	2,684,312
Noncurrent portion of contracts receivable	14,408	-	14,408
Total noncurrent assets	14,408	2,684,312	2,698,720
TOTAL ASSETS	664,484	3,408,805	4,073,289
LIABILITIES			
Current liabilities			
Accounts payable	19,780	2,500	22,280
Accrued interest payable	9,130	23,523	32,653
Due to other governmental units	3,255	613	3,868
Current portion of long-term debt	110,000	245,000	355,000
Total current liabilities	142,165	271,636	413,801
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,075,000	1,880,000	2,955,000
TOTAL LIABILITIES	1,217,165	2,151,636	3,368,801
NET ASSETS			
Invested in capital assets, net of related debt	-	559,312	559,312
Unrestricted	(552,681)	697,857	145,176
TOTAL NET ASSETS	\$ (552,681)	\$ 1,257,169	\$ 704,488

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 186,893	\$ 516,743	\$ 703,636
Program Revenues			
Charges for service	-	-	-0-
NET PROGRAM EXPENSES	(186,893)	(516,743)	(703,636)
General Revenues			
Property taxes	273,025	772,594	1,045,619
Investment earnings	16,671	27,733	44,404
TOTAL GENERAL REVENUES	289,696	800,327	1,090,023
CHANGE IN NET ASSETS	102,803	283,584	386,387
Net assets, beginning of the year	(655,484)	973,585	318,101
Net assets, end of the year	\$ (552,681)	\$ 1,257,169	\$ 704,488

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members and officers. The Village is not included in any other governmental "reporting entity", as defined by the *Government Accounting Standards Board (GASB)*, since council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized by its charter, to approximately 2,972 residents: public safety (police), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the Village's audit and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading or incomplete.

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village Council and the Council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the DDA.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village Council and the Council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the LDFA.

3. Joint Venture

Fowlerville Area Fire Authority - The Fowlerville Area Fire Authority was created on January 1, 2005 by a joint venture agreement between the Townships of Handy, Iosco, and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for financial resources that are used for repairs and maintenance of the City's local streets.
- c. The 2008 Bond Construction Fund is used to account for construction of capital assets funded by long-term general obligation debt.
- d. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.
- e. The Water Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The Village also reports an internal service fund to account for the management of mobile equipment provided to other departments of the Village on a cost reimbursement basis.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.

Village of Fowlerville
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Budgets and Budgetary Accounting - continued

- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal year end.
- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash, Cash Equivalents, and Investments

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less. The cash and cash equivalents are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of more than 90 days.

9. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and are payable without penalty through September 15. The July 1 levy is composed of the Village's millage, voted millage, and special assessments. All real property taxes not paid to the Village by the due date are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection.

The Village is permitted to levy taxes up to 12.50 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2008, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services, .6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights and .4698 for mosquito control. The total Taxable Value for the 2007 levy for property within the Village was \$97,872,240.

10. Inventory

Inventory in the Enterprise Funds consists of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Prepays

Prepaid expenditures, which are expected to be written off with the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**12. Interfund Transactions**

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

13. Compensated Absences

Village employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2008 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior years' service. Vacation time must be used or lost, with limited exceptions.

14. Capital Assets

Capital assets include land, land improvements, buildings, equipment, vehicles, infrastructure, and utility systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	2 - 15 years
Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	10 - 40 years
Water system and improvements	7 - 50 years
Infrastructure	20 - 30 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2008, the carrying amounts of the Village's deposits were \$2,342,607 and the bank balance was \$2,379,119, of which \$190,906 was covered by federal depository insurance. The balance of \$2,188,213 was uninsured, but collateralized with securities held by a third-party pledging financial institution. The primary government had \$4,320 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDInvestments

As of June 30, 2008, the carrying amount and market value for the investment is as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government			
Uncategorized pooled investment funds			
Chase Bank - Government operating MM fund	\$ 1,507,936	\$ 1,507,936	N/A
Component Units			
Uncategorized pooled investment funds			
Chase Bank - Government operating MM fund	<u>1,949,194</u>	<u>1,949,194</u>	N/A
	<u>\$ 3,457,130</u>	<u>\$ 3,457,130</u>	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Village's investment in the Government Operating Money Market Fund is rate AAA by Moody's.

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business in accordance with Council approved policy.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash, cash equivalents, and investments referred to above have been reported in the cash and cash equivalents and investments captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2008:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,142,786	\$ 1,371,616	\$ 3,514,402
Cash - restricted	1,441	-	1,441
Investments	<u>2,288,214</u>	<u>-</u>	<u>2,288,214</u>
Total	<u>\$ 4,432,441</u>	<u>\$ 1,371,616</u>	<u>\$ 5,804,057</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2008:

Due to General Fund from:	
Local Street Fund	\$ 178
Water Fund	15,456
Sewer Fund	11,538
Internal service fund	2,847
Nonmajor governmental funds	<u>8,073</u>
	<u>\$ 38,092</u>
Due to Local Street Fund from:	
General Fund	\$ 4,856
Water Fund	<u>13,201</u>
	<u>\$ 18,057</u>
Due to Sewer Fund from:	
Water Fund	<u>\$ 12,182</u>
Due to internal service fund from:	
General Fund	\$ 7,455
Sewer Fund	2,111
Water Fund	2,128
Local Street Fund	437
Nonmajor governmental funds	<u>952</u>
	<u>\$ 13,083</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 736</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to Local Street Fund from:	
Nonmajor governmental funds	\$ 525,000
Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	38,581
Transfers to component unit funds from:	
Component unit funds	<u>116,125</u>
	<u>\$ 679,706</u>

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

The Village has several loans to individuals and businesses made through the Downtown Development Authority. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village:

Year Ending June 30,	<u>Contracts Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,953	\$ 527
2010	2,813	429
2011	2,916	326
2012	2,114	225
2013	1,299	136
2014-2015	<u>5,266</u>	<u>340</u>
	<u>\$ 17,361</u>	<u>\$ 1,983</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	<u>Balance July 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 256,678	\$ 1,112,133	\$ -	\$ 1,368,811
Construction in progress	<u>60,331</u>	<u>1,032,498</u>	<u>(60,331)</u>	<u>1,032,498</u>
	317,009	2,144,631	(60,331)	2,401,309
Capital assets being depreciated				
Land improvements	242,549	51,670	-	294,219
Buildings	916,615	-	-	916,615
Vehicles	581,875	16,904	(19,609)	579,170
Machinery and equipment	585,612	50,809	-	636,421
Infrastructure	<u>762,032</u>	<u>571,922</u>	<u>-</u>	<u>1,333,954</u>
Subtotal	3,088,683	691,305	(19,609)	3,760,379
Accumulated depreciation				
Land improvements	(215,845)	(21,045)	-	(236,890)
Buildings	(367,299)	(37,269)	-	(404,568)
Vehicles	(407,037)	(53,183)	15,687	(444,533)
Machinery and equipment	(497,015)	(47,589)	-	(544,604)
Infrastructure	<u>(39,395)</u>	<u>(51,874)</u>	<u>-</u>	<u>(91,269)</u>
Subtotal	<u>(1,526,591)</u>	<u>(210,960)</u>	<u>15,687</u>	<u>(1,721,864)</u>
Net capital assets being depreciated	<u>1,562,092</u>	<u>480,345</u>	<u>(3,922)</u>	<u>2,038,515</u>
Total net capital assets	<u>\$ 1,879,101</u>	<u>\$ 2,624,976</u>	<u>\$(64,253)</u>	<u>\$ 4,439,824</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 35,932
Public safety	17,708
Public works	146,451
Recreation and cultural	<u>14,791</u>
Total depreciation expense	<u>\$ 214,882</u>

The current year depreciation expense in the Governmental Activities of \$280,764 has been adjusted by \$3,922 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2007	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2008
Business-type activities				
Capital assets not being depreciated				
Land	\$ 422,764	\$ -	\$ -	\$ 422,764
Construction in progress	176,145	24,241	(176,145)	24,241
Subtotal	598,909	24,241	(176,145)	447,005
Capital assets being depreciated				
Buildings	3,643,997	14,622	-	3,658,619
Machinery and equipment	421,400	-	-	421,400
Vehicles	51,986	-	-	51,986
Sewer system	4,276,770	557,925	-	4,834,695
Water system	2,925,441	652,876	-	3,578,317
Subtotal	11,319,594	1,225,423	-0-	12,545,017
Less accumulated depreciation				
Buildings	(194,123)	(73,283)	-	(267,406)
Machinery and equipment	(358,204)	(23,222)	-	(381,426)
Vehicles	(21,153)	(7,427)	-	(28,580)
Sewer system	(1,096,854)	(107,588)	-	(1,204,442)
Water system	(1,098,466)	(123,610)	-	(1,222,076)
Subtotal	(2,768,800)	(335,130)	-0-	(3,103,930)
Net capital assets being depreciated	8,550,794	890,293	-0-	9,441,087
Total net capital assets	\$ 9,149,703	\$ 914,534	\$ (176,145)	\$ 9,888,092
Component Unit				
	Balance July 1, 2007	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2008
Local Development Finance Authority				
Capital assets not being depreciated				
Construction in progress	\$ 1,911,210	\$ 182,906	\$ 2,094,116	\$ -0-
Capital assets being depreciated				
Infrastructure	990,000	2,094,116	-	3,084,116
Less accumulated depreciation				
Infrastructure	(264,000)	(135,804)	-	(399,804)
Net capital assets being depreciated	726,000	1,958,312	-0-	2,684,312
Total net capital assets	\$ 2,637,210	\$ 2,141,218	\$ 2,094,116	\$ 2,684,312

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amount Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Livingston County Drain Bond	\$ 25,000	\$ -	\$ 25,000	\$ -0-	\$ -
2008 General Obligation Bonds	-	2,400,000	-	2,400,000	-
Compensated absences	<u>84,167</u>	<u>2,711</u>	<u>22,372</u>	<u>64,506</u>	<u>5,221</u>
	109,167	2,402,711	47,372	2,464,506	5,221
Business-type Activities					
2005 Sewer Improvement Bonds	3,100,000	-	105,000	2,995,000	110,000
2007 G.O. Capital Improvement Bonds	-	995,000	30,000	965,000	35,000
Land Contract	<u>26,238</u>	<u>-</u>	<u>14,628</u>	<u>11,610</u>	<u>11,610</u>
	<u>3,126,238</u>	<u>995,000</u>	<u>149,628</u>	<u>3,971,610</u>	<u>156,610</u>
TOTAL PRIMARY GOVERNMENT	3,235,405	3,397,711	197,000	6,436,116	161,831
COMPONENT UNITS					
Downtown Development Authority					
2007 General Obligation Bonds	-	500,000	-	500,000	50,000
2002 General Obligation Bonds	<u>745,000</u>	<u>-</u>	<u>60,000</u>	<u>685,000</u>	<u>60,000</u>
Subtotal	745,000	500,000	60,000	1,185,000	110,000
Local Development Finance Authority					
Local Development Bonds - 2005	1,380,000	-	50,000	1,330,000	60,000
Local Development Bonds - 2001	715,000	-	50,000	665,000	55,000
Local Development Bonds - 1998	<u>255,000</u>	<u>-</u>	<u>125,000</u>	<u>130,000</u>	<u>130,000</u>
Subtotal	<u>2,350,000</u>	<u>-0-</u>	<u>225,000</u>	<u>2,125,000</u>	<u>245,000</u>
TOTAL COMPONENT UNITS	<u>3,095,000</u>	<u>500,000</u>	<u>285,000</u>	<u>3,310,000</u>	<u>355,000</u>
TOTAL REPORTING ENTITY	<u>\$ 6,330,405</u>	<u>\$ 3,897,711</u>	<u>\$ 482,000</u>	<u>\$ 9,746,116</u>	<u>\$ 516,831</u>

Village of Fowlerville
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

2007 G.O. Capital Improvement Bonds \$995,000, due in annual installments ranging from \$35,000 to \$75,000 plus interest through 2027, with interest at 4.70 percent.	\$ 965,000
2005 Sewer Improvement Bond issue of \$3,200,000, due in annual installments ranging from \$110,000 to \$235,000 plus interest through 2026, with interest ranging from 3.90 to 5.00 percent	2,995,000
2008 Downtown Development Bond issue of \$2,400,000, due in annual installments ranging from \$20,000 to \$225,000 plus interest through 2028, with interest ranging from 4.250 to 4.375 percent.	<u>2,400,000</u>
	<u>\$ 6,360,000</u>

Municipal Purchase Contracts

The following loans are considered installment purchases under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan Department of Treasury approval:

Land contract of \$99,000 with monthly installments of principal and interest of \$1,325 through 2009, with interest at 6.5 percent.	<u>\$ 11,610</u>
--	------------------

COMPONENT UNITS

General Obligation Bonds

1998 Van Riper Road Extension Bond issue of \$990,000, due in an annual installment of \$130,000 plus interest through 2008, with interest at 6.20 percent.	\$ 130,000
2001 Garden Lane Extension Bond issue of \$990,000, due in annual installments ranging from \$55,000 to \$100,000 plus interest through 2016, with interest ranging from 4.30 to 5.00 percent.	665,000
2002 Development Bond issue of \$990,000, due in annual installments ranging from \$60,000 to \$90,000 plus interest through 2016, with interest ranging from 4.20 to 5.00 percent.	685,000
2005 Local Development Bond issue of \$1,430,000, due in annual installments ranging from \$60,000 to \$185,000 plus interest through 2016, with interest ranging from 4.00 to 4.50 percent.	1,330,000
2007 Downtown Development Authority Bond issue of \$500,000, due in annual installments ranging from \$50,000 to \$75,000 plus interest through 2016, with interest at 4.5 percent.	<u>500,000</u>
	<u>\$ 3,310,000</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT – CONTINUED

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$64,506 at June 30, 2008.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 145,000	\$ 285,898	\$ 11,610	\$ 317
2010	170,000	271,355	-	-
2011	180,000	264,318	-	-
2012	205,000	256,810	-	-
2013	225,000	248,253	-	-
2014-2018	1,345,000	1,093,550	-	-
2019-2023	2,095,000	735,578	-	-
2024-2028	1,995,000	238,786	-	-
	<u>\$ 6,360,000</u>	<u>\$ 3,394,548</u>	<u>\$ 11,610</u>	<u>\$ 317</u>

Component Units

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 355,000	\$ 145,190
2010	370,000	131,455
2011	385,000	115,700
2012	395,000	99,240
2013	405,000	81,833
2014-2018	<u>1,400,000</u>	<u>133,453</u>
	<u>\$ 3,310,000</u>	<u>\$ 706,871</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H: RETIREMENT PLANPlan Description

The Village of Fowlerville approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village of Fowlerville. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the Village Council. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2008, the Village of Fowlerville's annual pension cost of \$35,292 for the plan was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	As of December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 2,537,778	\$ 2,711,637	\$ 2,850,097
Actuarial accrued liability (AAL) (entry age)	2,475,223	2,621,945	2,663,378
Unfunded (overfunded) AAL	(62,555)	(89,692)	(186,719)
Funded ratio	103 %	103 %	107 %
Covered payroll	491,201	475,841	375,799
UAAL as a percentage of covered payroll	-0 %	-0 %	-0 %

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 43,384	\$ 43,994	\$ 35,292
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: RISK MANAGEMENT

The Village participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no individual self-insured retention amounts and a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$5,000,000 for liability and about \$5,000,000 for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE J: FUND BALANCE RESERVES

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2008:

Fund Balances

General Fund

Reserved for prepaids	\$ 37,845
Reserved for refuse collection	22,936
Reserved for mosquito control	8,249
Reserved for composting	42,847
Reserved for cemetery maintenance	<u>36,983</u>
	<u>\$ 148,860</u>

Nonmajor governmental funds

Reserved for cemetery maintenance	<u>\$ 46,879</u>
-----------------------------------	------------------

Component Unit Funds

DDA

Reserved for debt service	\$ 17
Reserved for capital improvements	<u>479,678</u>
	<u>\$ 479,695</u>

LDFA

Reserved for debt service	\$ 1,820
Reserved for capital improvements	343,785
Reserved for sinking fund	<u>195,385</u>
	<u>\$ 540,990</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2008:

PRIMARY GOVERNMENT

Governmental activities

Restricted for streets

\$ 462,376

NOTE L: CONTRACTUAL COMMITMENTS

The Village has entered into various contracts for infrastructure projects that were not completed at June 30, 2008. The contractual commitments outstanding at June 30, 2008 totaled \$1,223,564. The Village plans to cover these commitments with existing fund equity.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 797,195	\$ 776,694	\$ 774,336	\$ (2,358)
Licenses and permits	3,150	2,875	3,705	830
Intergovernmental				
Federal/State	329,300	317,563	318,820	1,257
Local	225,500	222,600	218,329	(4,271)
Total intergovernmental	554,800	540,163	537,149	(3,014)
Charges for services	423,700	442,664	438,993	(3,671)
Fines and forfeits	4,100	14,000	16,189	2,189
Interest and rents	31,000	45,100	47,221	2,121
Other	9,500	16,000	11,694	(4,306)
TOTAL REVENUES	1,823,445	1,837,496	1,829,287	(8,209)
OTHER FINANCING SOURCES				
Sale of cemetery lots	46,300	47,300	38,018	(9,282)
Perpetual care	7,000	6,500	1,510	(4,990)
Sale of capital assets	-	1,200	1,200	-0-
TOTAL OTHER FINANCING SOURCES	53,300	55,000	40,728	(14,272)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,876,745</u>	<u>\$ 1,892,496</u>	<u>\$ 1,870,015</u>	<u>\$ (22,481)</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Legislative	\$ 27,760	\$ 26,983	\$ 21,030	\$ 5,953
Executive	133,439	153,465	150,277	3,188
Clerk	36,996	45,500	42,916	2,584
Treasurer	113,143	111,897	106,186	5,711
Cemetery operations	108,145	97,125	75,845	21,280
Village hall and grounds	88,363	81,050	55,020	26,030
Other				
Other	21,866	23,898	21,529	2,369
Insurance	60,000	59,000	58,118	882
Contracted services	61,750	77,500	68,833	8,667
Total general government	651,462	676,418	599,754	76,664
Public safety				
Police department	591,508	582,595	538,061	44,534
Public works				
Refuse collection	321,310	319,485	274,036	45,449
Sanitary landfill	132,145	106,440	109,289	(2,849)
Mosquito control	30,500	30,500	23,818	6,682
Total public works	483,955	456,425	407,143	49,282
Recreation and cultural				
Recreation	55,310	112,944	97,365	15,579
Community and economic development				
Planning commission	16,837	28,737	17,770	10,967
Capital outlay	31,547	42,047	33,365	8,682
Debt service				
Principal	12,500	25,000	25,000	-0-
Interest	2,050	1,563	1,563	-0-
Total debt service	14,550	26,563	26,563	-0-
TOTAL EXPENDITURES	<u>\$ 1,845,169</u>	<u>\$ 1,925,729</u>	<u>\$ 1,720,021</u>	<u>\$ 205,708</u>

Village of Fowlerville

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 124,000	\$ 170,864	\$ 92,307	\$ (78,557)
Interest	2,000	9,000	10,338	1,338
TOTAL REVENUES	126,000	179,864	102,645	(77,219)
EXPENDITURES				
Current				
Public works	97,495	96,215	41,645	54,570
Capital outlay	560,000	732,729	533,494	199,235
TOTAL EXPENDITURES	657,495	828,944	575,139	253,805
EXCESS OF REVENUES (UNDER) EXPENDITURES	(531,495)	(649,080)	(472,494)	176,586
OTHER FINANCING SOURCES				
Transfers in	475,000	525,000	525,000	-0-
NET CHANGE IN FUND BALANCE	(56,495)	(124,080)	52,506	176,586
Fund balance, beginning of year	139,970	139,970	139,970	-0-
Fund balance, end of year	\$ 83,475	\$ 15,890	\$ 192,476	\$ 176,586

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue		
	Major Street	Municipal Street	Drug Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 140,602	\$ 68,990	\$ 3,137
Investments	101,048	50,000	-
Accounts receivable	11,613	-	-
Due from other funds	736	-	-
Due from other governmental units	25,544	-	-
TOTAL ASSETS	\$ 279,543	\$ 118,990	\$ 3,137
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,350	\$ -	\$ -
Other accrued liabilities	408	-	-
Due to other funds	7,885	1,140	-
TOTAL LIABILITIES	9,643	1,140	-0-
Fund balances			
Reserved for:			
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	269,900	117,850	3,137
TOTAL FUND BALANCES	269,900	117,850	3,137
TOTAL LIABILITIES AND FUND BALANCES	\$ 279,543	\$ 118,990	\$ 3,137

Capital Projects	Permanent	Total Nonmajor Governmental Funds
Van Riper Road Improvement	Greenwood Cemetery	
\$ -	\$ 46,879	\$ 259,608
-	-	151,048
-	-	11,613
-	-	736
-	-	25,544
<u>\$ -0-</u>	<u>\$ 46,879</u>	<u>\$ 448,549</u>
\$ -	\$ -	\$ 1,350
-	-	408
-	-	9,025
-0-	-0-	10,783
-	46,879	46,879
-	-	390,887
-0-	46,879	437,766
<u>\$ -0-</u>	<u>\$ 46,879</u>	<u>\$ 448,549</u>

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special Revenue		
	Major Street	Municipal Street	Drug Law Enforcement
REVENUES			
Taxes	\$ -	\$ 225,358	\$ -
Intergovernmental	163,344	-	-
Fines and forfeits	-	-	1,458
Interest and rents	8,108	6,236	150
Other	-	-	-
TOTAL REVENUES	171,452	231,594	1,608
EXPENDITURES			
Current			
Public works	83,097	11,858	-
Capital outlay	-	-	2,000
TOTAL EXPENDITURES	83,097	11,858	2,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	88,355	219,736	(392)
OTHER FINANCING SOURCES (USES)			
Transfers in	38,581	-	-
Transfers out	-	(525,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	38,581	(525,000)	-0-
NET CHANGE IN FUND BALANCES	126,936	(305,264)	(392)
Fund balances, beginning of year	142,964	423,114	3,529
Fund balances, end of year	\$ 269,900	\$ 117,850	\$ 3,137

Capital Projects	Permanent	Total Nonmajor Governmental Funds
Van Riper Road Improvement	Greenwood Cemetery	
\$ -	\$ -	\$ 225,358
-	-	163,344
-	-	1,458
1,401	1,711	17,606
-	6,480	6,480
1,401	8,191	414,246
-	-	94,955
-	-	2,000
-0-	-0-	96,955
1,401	8,191	317,291
-	-	38,581
(38,581)	-	(563,581)
(38,581)	-0-	(525,000)
(37,180)	8,191	(207,709)
37,180	38,688	645,475
\$ -0-	\$ 46,879	\$ 437,766

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2008

	Special Revenue	2007 Debt Service	2007 Construction	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 149,028	\$ 17	\$ 498,078	\$ 647,123
Contracts receivable	17,361	-	-	17,361
TOTAL ASSETS	\$ 166,389	\$ 17	\$ 498,078	\$ 664,484
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,380	\$ -	\$ 18,400	\$ 19,780
Deferred revenue	17,361	-	-	17,361
Due to other governmental units	3,255	-	-	3,255
TOTAL LIABILITIES	21,996	-0-	18,400	40,396
FUND BALANCES				
Reserved for debt service	-	17	-	17
Reserved for capital improvements	-	-	479,678	479,678
Unreserved				
Undesignated, reported in:				
Special revenue funds	144,393	-	-	144,393
TOTAL FUND BALANCES	144,393	17	479,678	624,088
TOTAL LIABILITIES AND FUND BALANCES	\$ 166,389	\$ 17	\$ 498,078	\$ 664,484

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2008

Total fund balances - governmental funds \$ 624,088

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue 17,361

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ 1,185,000	
Accrued interest payable	<u>9,130</u>	
		<u>(1,194,130)</u>

Net assets of governmental activities \$ (552,681)

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

	Special Revenue	2007 Debt Service	2007 Construction	Total
REVENUES				
Taxes	\$ 273,025	\$ -	\$ -	\$ 273,025
Interest and rents	9,376	17	7,278	16,671
TOTAL REVENUES	282,401	17	7,278	289,696
EXPENDITURES				
Community and economic development				
Salaries	2,436	-	-	2,436
Fringe benefits	1,368	-	-	1,368
Contracted services	71,956	-	9,200	81,156
Supplies	2,223	-	-	2,223
Printing and publishing	2,363	-	-	2,363
Repairs and maintenance	23,744	-	-	23,744
Equipment rental	3,548	-	-	3,548
Farmers market	4,279	-	-	4,279
Capital outlay	-	-	18,400	18,400
Debt service	93,540	8,125	-	101,665
TOTAL EXPENDITURES	205,457	8,125	27,600	241,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	76,944	(8,108)	(20,322)	48,514
OTHER FINANCING SOURCES (USES)				
Transfers in	-	8,125	-	8,125
Transfers out	(8,125)	-	-	(8,125)
Bond proceeds	-	-	500,000	500,000
TOTAL OTHER FINANCING SOURCES (USES)	(8,125)	8,125	500,000	500,000
NET CHANGE IN FUND BALANCES	68,819	17	479,678	548,514
Fund balances, beginning of year	75,574	-	-	75,574
Fund balances, end of year	<u>\$ 144,393</u>	<u>\$ 17</u>	<u>\$ 479,678</u>	<u>\$ 624,088</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 548,514

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in deferred revenue in the current year was: (2,381)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond proceeds	\$ (500,000)	
Bond principal retirement	<u>60,000</u>	
Excess of bond proceeds over principal retirements		(440,000)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(3,330)</u>
--	----------------

Change in net assets of governmental activities \$ 102,803

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2008

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
ASSETS				
Current assets				
Cash and cash equivalents	<u>\$ 468,888</u>	<u>\$ 1,820</u>	<u>\$ 253,785</u>	<u>\$ 724,493</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,500	\$ -	\$ -	\$ 2,500
Due to other governmental units	<u>613</u>	<u>-</u>	<u>-</u>	<u>613</u>
TOTAL LIABILITIES	3,113	-0-	-0-	3,113
FUND BALANCES				
Reserved for debt service	-	1820	-	1,820
Reserved for capital improvements	90,000	-	253,785	343,785
Reserved for sinking fund	195,385	-	-	195,385
Unreserved				
Undesignated, reported in:				
Special revenue funds	<u>180,390</u>	<u>-</u>	<u>-</u>	<u>180,390</u>
TOTAL FUND BALANCES	<u>465,775</u>	<u>1,820</u>	<u>253,785</u>	<u>721,380</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 468,888</u>	<u>\$ 1,820</u>	<u>\$ 253,785</u>	<u>\$ 724,493</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2008

Total fund balances - governmental funds **\$ 721,380**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,084,116	
Accumulated depreciation is	<u>(399,804)</u>	
		2,684,312

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Bonds payable	2,125,000	
Accrued interest payable	<u>23,523</u>	
		<u>(2,148,523)</u>

Net assets of governmental activities **\$ 1,257,169**

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2008

	Special Revenue	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
REVENUES				
Taxes	\$ 772,594	\$ -	\$ -	\$ 772,594
Interest	12,592	1,715	13,426	27,733
TOTAL REVENUES	785,186	1,715	13,426	800,327
EXPENDITURES				
Community and economic development				
Contracted services	13,375	-	-	13,375
Payments to primary government	232,612	-	-	232,612
Other	33,646	-	-	33,646
Debt service	220,289	108,580	-	328,869
Capital outlay	-	-	182,906	182,906
TOTAL EXPENDITURES	499,922	108,580	182,906	791,408
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	285,264	(106,865)	(169,480)	8,919
OTHER FINANCING SOURCES (USES)				
Transfers in	-	108,000	-	108,000
Transfers out	(108,000)	-	-	(108,000)
TOTAL OTHER FINANCING SOURCES (USES)	(108,000)	108,000	-0-	-0-
NET CHANGE IN FUND BALANCES	177,264	1,135	(169,480)	8,919
Fund balances, beginning of year	288,511	685	423,265	712,461
Fund balances, end of year	<u>\$ 465,775</u>	<u>\$ 1,820</u>	<u>\$ 253,785</u>	<u>\$ 721,380</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 8,919

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	182,906	
Depreciation expense	<u>(135,804)</u>	
Excess of capital outlay over depreciation expense		47,102

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	225,000
---------------------------	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>2,563</u>
--------------------------------------	--------------

Change in net assets of governmental activities \$ 283,584

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Honorable President and
Members of the Village Council
of the Village of Fowlerville

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Fowlerville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

DDA RENTAL ACTIVITY

During the course of our audit, we noted that the DDA owns a two-unit residential building that is rented out. The DDA has hired an individual to rent the units, collect rents, and generally maintain the building. The individual is also responsible for the payment of expenses related to the building, such as monthly utilities and property taxes. On a periodic basis, a check is disbursed for the net revenue (rents less building expenses) to the DDA. While the checks disbursed to the DDA represent the net rental activity, the gross amounts should be reported in the DDA's general ledger and be subject to audit.

We recommend the DDA establish a separate fund for purposes of prospectively accounting for the gross rent revenue and gross expenditures related to the building. We also recommend that appropriate internal controls over the rental receipts and disbursements be implemented by management. The records for the DDA rental activity should also be made available for audit purposes.

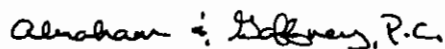
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily identify all deficiencies in internal control that might be considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Members of the Village Council of the Village of Fowlerville, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

November 24, 2008